

Achievements

Preparation of approximately 1,350 contracts and 800 amendments

Payment of approximately \$10 million for contract legal services and \$1 million for contract investigative/adjusting services

Auditing and Statistics

Continuing in its efforts to control losses, the Auditing and Statistics Unit of the Office of Risk Management maintained the use of "experience rating" in premium development for most of the self insured lines of coverage. The key benefit to "experience rating" is that it places greater financial responsibility on the agencies by providing them with financial incentive to practice loss prevention, which, ultimately, reduces the state's cost of providing self insurance.

In addition to these cost savings efforts, productivity was improved in the area of claim and/or benefit check production and delivery by the installation of new computer equipment specifically designed for this task. This new check writing program greatly reduces production time thus allowing clients to receive claim and/or benefit checks much quicker than before.

Productivity was also improved in the area of client services through the development, implementation and management of a new computerized claim concern tracking system. This system "tracks" each client claim concern from the time it arrives in this unit through the final disposition response which is sent to the person who submitted it. This system prevents client claim concerns from "getting lost in the system," and enables this unit to maintain good client relations by responding to their concerns in a more effective and efficient manner.

Claims

In fiscal year 1996-97, the Supreme Court in the "Carol Lewis" case ruled against the State regarding the retroactivity of the constitutional amendment establishing a \$500,000 cap on general damages. In this same case they ruled that the 6% interest rate would not be applied retroactively. This decrease resulted in approximately \$13,000,000 being paid by ORM for additional interest and awards for general damages in excess of the cap.

Our workers' compensation section realized a savings of \$1,826,202 through the

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medical bill and litigation review program.

In addition, \$1,976,379.35 was recovered from the Second Injury Fund.

Legal

The representation of the State self-insurance fund is provided by the Department of Justice, Litigation Division or by private attorneys appointed by the Attorney General, with the concurrence of the State Risk Director.

As of June 30, 1997, outstanding non-discounted reserve valuations of the 8,249 claims in litigation against state agencies being handled by the Office of Risk Management are valued at \$698,137,439.

Loss Prevention

The Loss Prevention Program encompassing General Safety, Boiler & Machinery, Driver Safety, Water Vessel, and Bonds & Crime is now in place and functioning in most of the State Departments, Agencies, Boards and Commissions which employ 15 or more employees. The audit system was changed from receiving requests from Departments, Agencies, Boards and Commissions to a departmental audit to be determined by this unit. The departmental audit includes all subordinate locations within the department. These audits consist of General Safety, Boiler & Machinery, Driver Safety, Water Vessel, Bonds & Crime, and Aviation as they apply. The Loss Prevention Unit audited Department of Health & Hospitals, Louisiana Health Care Authority, LSU Agricultural Center and Extension Services, Department of Military Affairs, Department of Corrections and Department of Labor and found the following number of agencies in compliance with existing State, Local, Federal Laws, rules published in the State Register, and the basic guidelines set forth by State Loss Prevention Program as follows:

In compliance:	Total # of Audits: 275	Total # of Locations: 147
Not in compliance:	Total # of Audits: 17	Total # of Locations: 5

According to our claim and premium experience comparison using Fiscal Year 1994-95 against Fiscal Year 1995-96, our reports indicate the State's total dollar loss was reduced

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by \$50,803,623 as compared to the previous year. However, these numbers can change as incurred but not reported claims (IBNR) are received.

We have trained 611 driver instructors statewide who in turn trained over 6,000 employees. A new defensive driving program has been developed to train a greater number of state employees in a more cost effective manner.

The State Land and Building System (SLABS) is an ongoing reappraisal program which will update all buildings over a five year period. There are approximately 9,916 buildings with replacement values of \$5,175,702,595.

The Loss Prevention Training Program for Loss Prevention Officers, Department Safety Coordinators, and Agency Safety Personnel, sponsored by the Office of Risk Management continues to be very successful. We have had 609 employees representing 20 departments and 565 agencies, boards and commissions who have taken the courses offered.

We maintain Loss Prevention training aids for use by all departments, agencies, boards and commissions to assist them in their Loss Prevention programs. We mailed or delivered approximately 400 training aids this past year.

Underwriting

In Fiscal Year 1996-97, the Underwriting Unit continued to critique and streamline the existing State Agency Movable Property System (STAMPS). Partial implementation allowed for automated calculation of general content exposure values, thereby eliminating the need for individual state agencies to manually report to the Office of Risk Management.

In addition, the Underwriting Unit informed the various State Agencies of the implementation and provided instructions on procedures as regards the new automated calculation factor of the STAMPS system. This was done through Underwriting participation in the five ORM sponsored informational seminars held throughout the State during Fiscal Year 1996-97.

Effective July 1, 1996, the commercially written workers compensation coverage for employees of the Louisiana Superdome was insured through California Compensation

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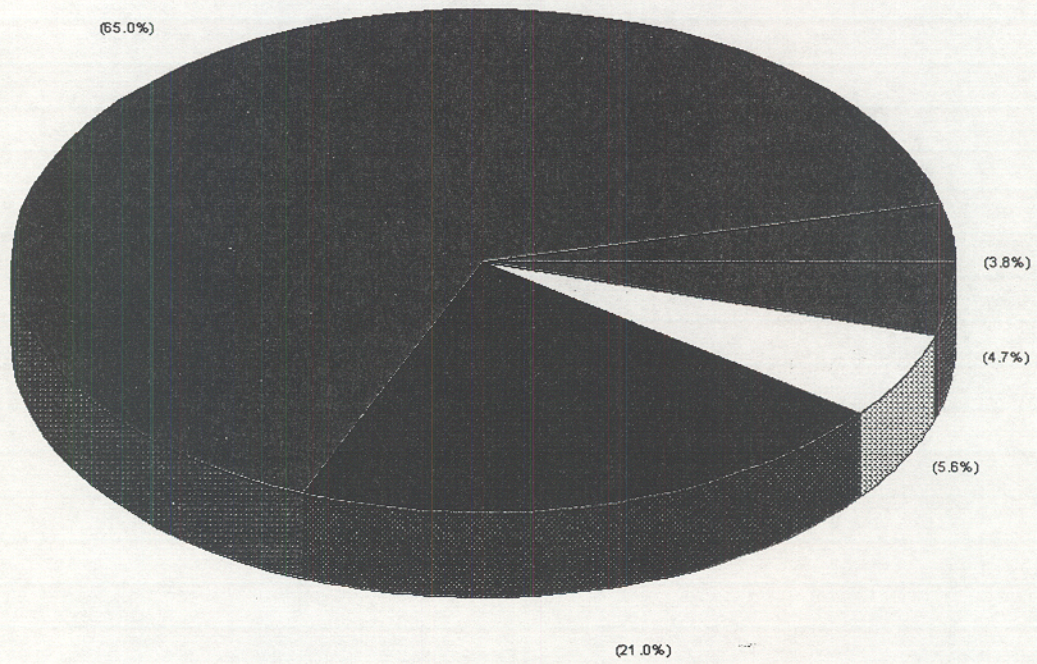
Insurance Company (CALCOMP). The experience modification factor, "which is promulgated by the National Council of Compensation Insurance (NCCI) and the commercial insurance company, is based on the insured's individual loss experience. For Fiscal year 1996-97, the promulgated experience modification factor was .75. This means that the Superdome was charged less than normal rates due to favorable loss experience. This favorable modification factor saved the State \$123,340 for Fiscal Year 1996-97 based on annual payroll exposures at the time of the annual audit. A premium discount factor further lowered the annual premium by another \$21,062 savings for the State. Because of the competitive nature of the insurance companies to give their share of the workers compensation market nationwide, CALCOMP also gave the State a 50.01% schedule rating discount which lowered the premium another \$185,047. Total savings to the State for all discounts amounted to \$329,449. These decreases are a direct result of loss prevention safety programs and employees being made aware of potential hazards in the workplace, as well as the competitive nature in the insurance marketplace for this type of coverage.

In Fiscal Year 1996-97, the Underwriting Unit coordinated six regional workshops across the State which informed all State entities on subjects such as:

- (1) What insurance requirements to put in contracts and how to verify coverage?
- (2) How to timely file claims and what information is needed?
- (3) How does workers compensation work?
- (4) What types of coverages are offered through ORM and what are the policy limits and deductibles?
- (5) How do you track buildings, State property contents, special exposures, etc. and how do I add and/or delete these exposures?

The purpose of the workshops was to help State Agencies better understand the entire risk management process handled by ORM and how to limit this exposure by proper wording in contracts. Participants in the workshops indicated the information was relative to the duties they performed and provided insight into changes they need to make in their efforts to minimize their agency's exposure to risks.

Cash Expenditures by Budget Program



■ Administrative Costs

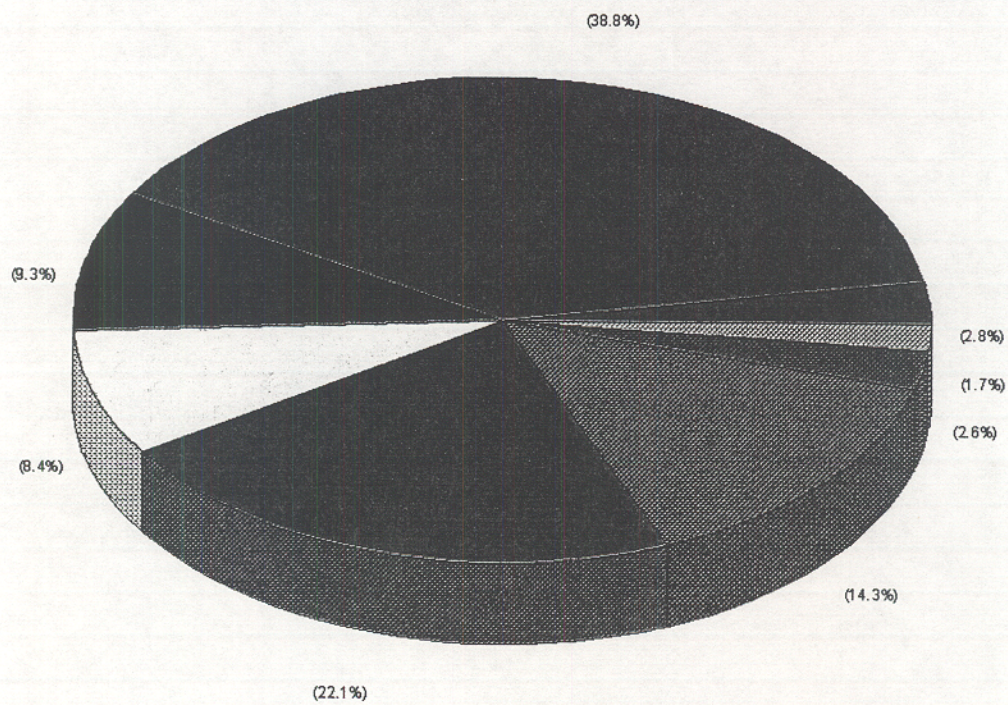
■ Worker's Comp Costs

■ Other Claims Costs

□ Contract Litigation Costs

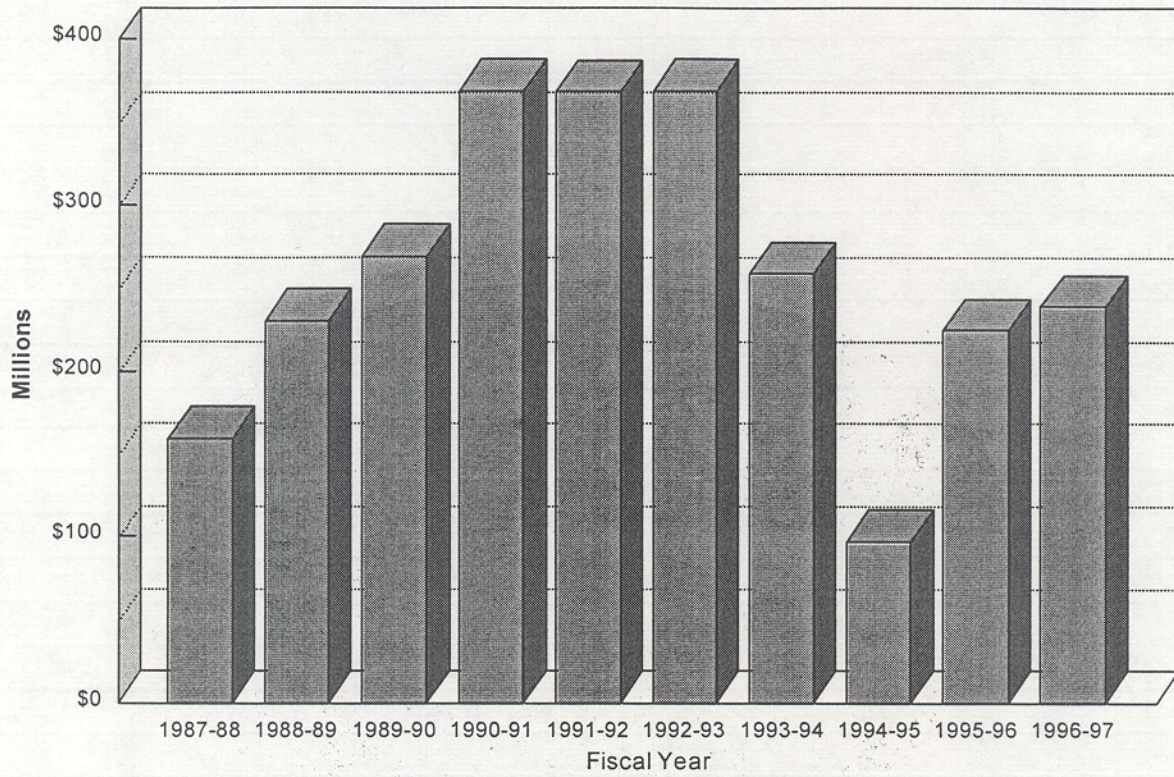
■ Litigation Division/Dept. of Justice

Total Expenses by Line of Insurance



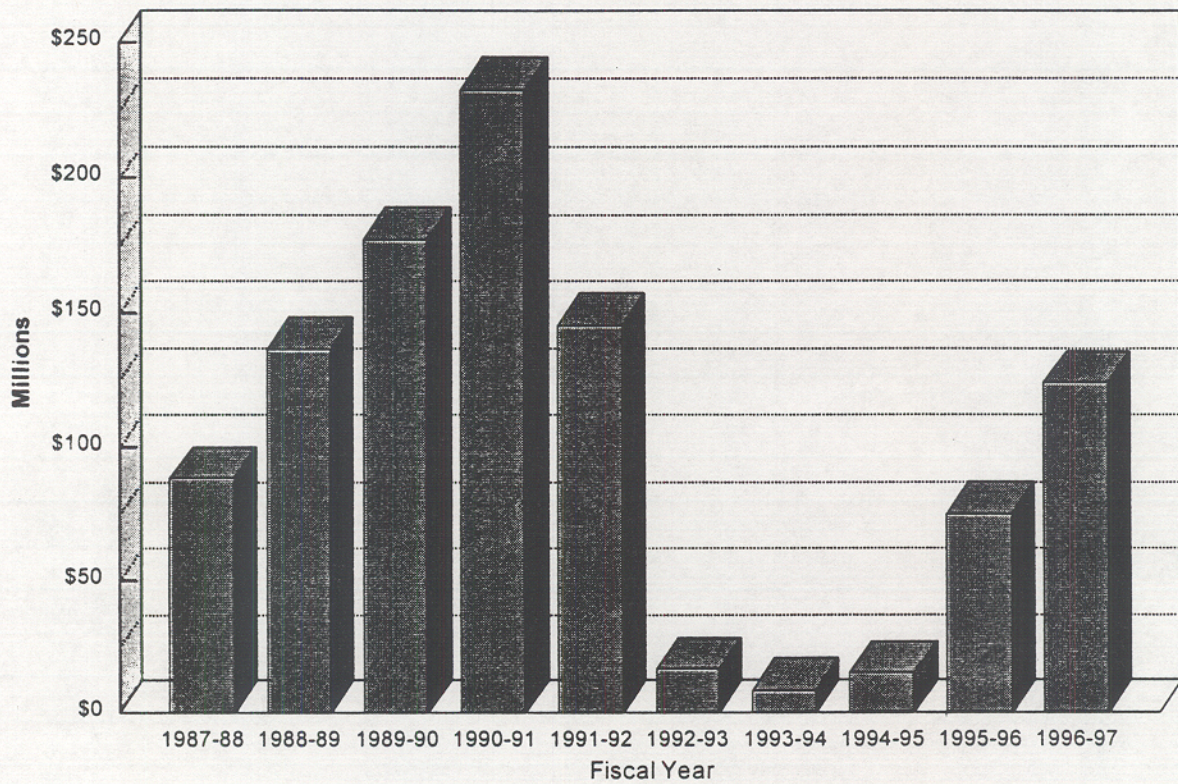
■ Auto Liability & Physical Damage	■ Worker's Comp & Maritime	■ General Liability	□ Personal Injury
■ Medical Malpractice	■ Road Hazards	■ Property & Boiler & Machinery	■ Other Lines

Budget



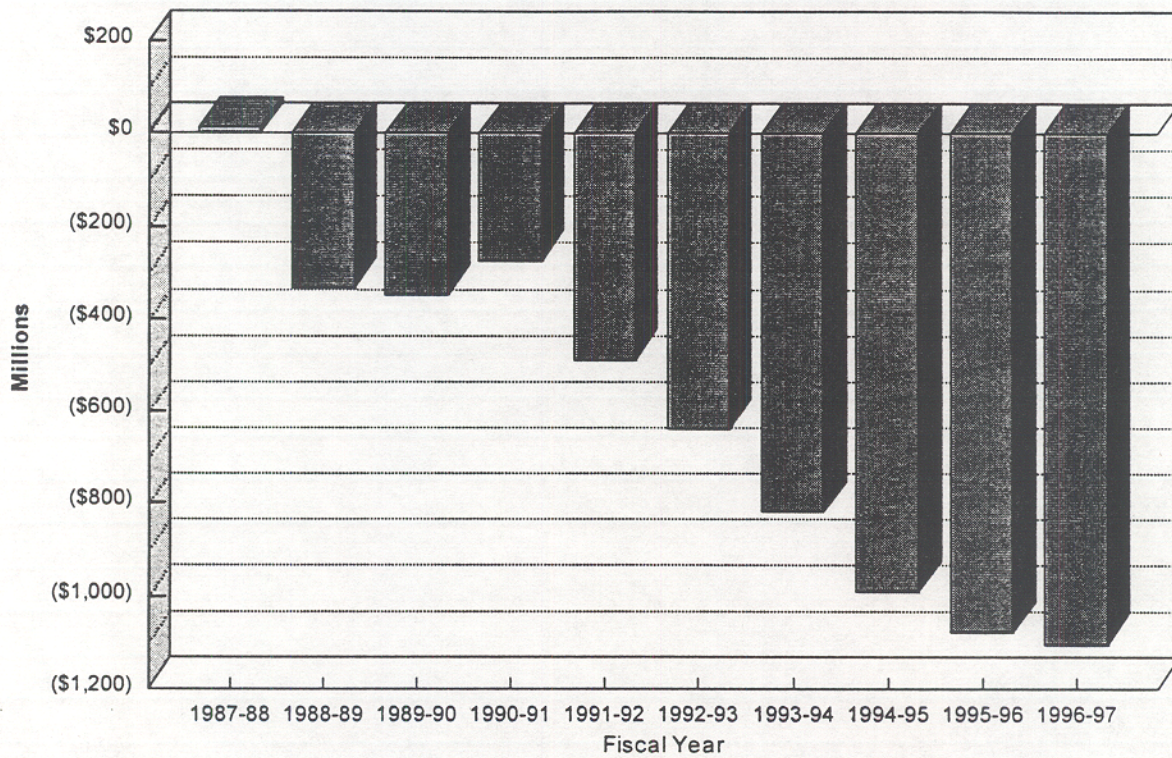
Fiscal Year	Total Budget
1987-88	\$160,000,000
1988-89	\$231,163,517
1989-90	\$269,404,983
1990-91	\$368,818,757
1991-92	\$368,317,741
1992-93	\$368,844,694
1993-94	\$258,879,001
1994-95	\$97,565,325
1995-96	\$224,846,405
1996-97	\$239,326,671

Cash Balance



Fiscal Year	Cash Balance
1987-88	\$87,983,512
1988-89	\$136,197,880
1989-90	\$177,167,033
1990-91	\$232,570,471
1991-92	\$145,048,419
1992-93	\$16,054,526
1993-94	\$8,284,465
1994-95	\$15,004,482
1995-96	\$74,693,176
1996-97	\$123,354,824

Fund Equity



Fiscal Year	Fund Equity
1987-88	\$13,014,112
1988-89	(\$331,090,858)
1989-90	(\$346,662,508)
1990-91	(\$271,958,071)
1991-92	(\$486,507,461)
1992-93	(\$637,901,253)
1993-94	(\$818,644,299)
1994-95	(\$989,537,511)
1995-96	(\$1,078,065,151)
1996-97	(\$1,103,819,414)